

MÁSTER EN FINANZAS DE EMPRESA

ASIGNATURA: CORPORATE FINANCE	
Código	609745
Módulo	Dirección Financiera
Materia	Corporate Finance
Carácter	Compulsory
Créditos ECTS	3.2
Curso	First Year
Semestre	1
Departamento	Department of Accounting and Finance (A&F)
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SINOPSIS

DESCRIPTION

The subject is part of the context and purpose of corporate finance and the valuation principles that are applicable to them. Within this, it reviews firstly the analysis of investment decisions and its integrated approach through the capital budget. Subsequently, funding decisions, in which special attention will be paid to long-term financing sources and the calculation of cost of capital, as a mean of confluence in determining capital structure and its effect on the company's value. Then, it will be paid careful attention to ways of addressing the risk in investment decisions, either by defining scenarios, or some equivalent risk-adjusted rates, or by using Monte Carlo simulation, the decision trees, and real options. Finally, we study in depth dividend policy.

RECOMMENDED BACKGROUND

The student should have basic knowledge of finance degree level or have completed the optional subject of Introduction to Finance. It also requires prior knowledge of financial mathematics and basic statistics.

EDUCATIONAL GOALS

As educational objectives are to learn the basic skills of a CFO in a company, and to develop techniques that help to optimize decision-making process to maximize value for shareholders.

COMPETENCIES

General: CG1 to CG4

Cross-sectional: CT1 to CT5

Specific: CE1, CE3, CE5

LEARNING METHODOLOGY

Teaching-learning venture for student learning that is collaborative and cooperative.

Theoretical explanations based on reading explain the various issues before the presentation in class by the teacher, class discussion and case resolution offered to students who have worked on previously.

CONTENTS

- 1 - Scope and purpose of corporate finance. Principles of valuation.
 - 1.1. Scope and goals of Corporate Finance.
 - 1.2. Difference between financial and productive investment
 - 1.2. Financial investment and financial market. Different types of financial assets and markets.
 - 1.3. Primary markets and secondary markets. The stock exchange investment.
 - 1.4. The value of the bonds and, in general, fixed income securities.
 - 1.5. Fundamental analysis: the value of the shares.

- 2- The capital budget: profitability analysis of investment project
 - 2.1. The need of the capital budget.
 - 2.2. Cash-flow statement.
 - 2.3. Free cash-flow vs. shareholders cash-flow.
 - 2.4. Mean-variance method.
 - 2.5. Sensitivity analysis.
 - 2.6. Probability of the expected value. Normal distribution.
 - 2.7. Development of a "Business Plan".
 - 2.8. Monte Carlo simulation.
 - 2.9. Sequential decisions: decision trees.

- 3- Markets and financial instrument.
 - 3.1. The different sources of funding in the company.
 - 3.2. The long-term corporate debt. Types.
 - 3.3. The cost of debt.
 - 3.4. The internal financing: retained earnings, reserves, and capital increases.
 - 3.5. The cost of internal financing.
 - 3.6. The dividend model.
 - 3.7. The characteristic of the market.
 - 3.8. The estimation of the parameters alpha and beta.
 - 3.9. Total risk, systematic and specific of a financial asset
 - 3.10. The CAPM asset valuation model.

- 4- Capital structure and firm value.
 - 4.1. Financial leverage: financial and economic profitability.
 - 4.2. Financial risk and level of indebtedness.
 - 4.3. The traditional thesis.
 - 4.4. The Modigliani-Miller thesis.
 - 4.5. The tax effect on the MM thesis.
 - 4.6. Insolvency costs and optimal financial structure.
 - 4.7. Deleveraging and leveraging the Beta.

- 5- Investment and financial decision integration.
 - 5.1. Adjusted present value (APV)
 - 5.2. Flows to Equity (FTE)
 - 5.3. Method Weighted Average Cost of Capital (WACC)

- 5.4. Comparison of the APV, FTE and WACC
- 6- Dividend Policy.
- 6.1. Alternative dividend policies.
- 6.2. Dividend policy and valuing stocks. The informative value of the dividends.
- 6.3. The irrelevance of dividend policy according to Modigliani-Miller (MM). The thesis of the benefit.
- 6.4. Market imperfections and dividends. The thesis of dividends

TEACHING ACTIVITIES

Activity	% total*	Attending
Lectures Theory	25	No
Practice		
- Business cases	20	yes
- Seminars	20	yes
- Individual or group assignments	20	yes
- Assesment activities	15	yes

*1ECTS=25 horas

ASSESSMENT SYSTEM

EXAM	50%
Final Exam	
CONTINUOUS ASSESMENT	50%
Intermediate tests	
Exercises resolution	

ASSESSMENT CRITERIA

The activities are valued as follows:

- Active participation in class: 15% of the final.
- Resolution of cases and / or exercises: 20% of the final.
- Preparation and presentation of works: 15% of the final.
- Final exam: 50% of the final.

The evaluation system of this area is the same for all subjects will be graded according to the RD 1125/2003, September 5th.

To pass you need to get at least 5 points on the final exam and an average weighted it with continuous assessment not less than 5 points.

CRONOGRAMA ORIENTATIVO

Week	Contents and activities
1ª	1 - Scope and purpose of corporate finance. Principles of valuation.

2ª	2-	The capital budget: profitability analysis of investment project
3ª	3-	Markets and financial instrument.
4ª	4-	Capital structure and firm value.
5ª	5-	Investment and financial decision integration.
6ª	6-	Dividend Policy.

NOTA: Este calendario es orientativo puesto que las fiestas laborales y los periodos no lectivos afectan de distinto modo a los diferentes grupos y ello puede alterar el desarrollo de los temas, casos, así como las fechas y el número de actividades.

RECURSOS

BASIC BIBLIOGRAPHY

BREALEY, R; MYERS, S. & ALLEN, F. (2010), Principles of Corporate Finance, 9th Edition, McGraw-Hill.

ROSS, S.; WESTERFIELD, R. & JAFFE, J. (2012), Corporate Finance, 9th edition, McGraw-Hill Irwin.

OTHER BIBLIOGRAPHY

THAM, J. & VÉLEZ PAREJA, I (2004), Principles of Cash Flow Valuation, Elsevier, Oxford (UK)

OTHER RESOURCES

The course will be developed with support in campus virtual